

# *2013 Budget Orientation*

*July 30, 2012*

*Presented By Clerk Treasurer*

*Luann Welmer*

*Chief Deputy Clerk Treasurer*

*Pam Harrell*



# *Purpose of Budget Orientation*

✓ Inform

✓ Educate

✓ Understand

Contact: [lwelmer@columbus.in.gov](mailto:lwelmer@columbus.in.gov)  
or  
[pharrell@columbus.in.gov](mailto:pharrell@columbus.in.gov)



# Guide to Acronyms

AV	Assessed Valuation
CAGIT	County Adjusted Gross Income Tax
CCDF	Cumulative Capital Development Fund
CCIF	Cumulative Capital Improvement Fund
CEDIT	County Economic Development Income Tax (also known as EDIT)
COIT	County Option Income Tax
CVET	Commercial Vehicle Excise Tax
DLGF	Department of Local Government Finance
FICA	Federal Insurance Compensation Act (Social Security)
FIT	Financial Institution Tax
LRS	Local Road and Street Fund
MPO	Metropolitan Planning Organization
MVH	Motor Vehicle Highway Fund
PERF	Indiana Public Employees Retirement Fund
PTRC	Property Tax Replacement Credit
SBOA	State Board of Accounts
TIF	Tax Increment Finance



# What is a levy?

The term Levy can mean two different things.

- ❑ *Levy means to impose a tax.*
- ❑ *Levy also refers to the total dollar amount of property taxes a unit of government will raise in a budget year.*

# What is Circuit Breaker?

Circuit Breaker tax credits, or property tax caps, limit the amount of taxes imposed on property at:

- 1% for homesteads
- 2% for Residential property or agricultural property
- 3% for all other real & personal property

## What impact does this have on the City?

When property tax bills are computed, any amount above the cap percentage is deducted from the distribution of property taxes.

This amount is based on the percentage of tax levies each unit of government holds.

# What is Maximum Levy?

The maximum amount of property tax revenue a unit of government can raise.

This percentage is based on the Indiana six year average non-farm growth quotient.

For 2012 the growth quotient was 2.9%.

Debt levies & CCDF are excluded from the maximum levy calculation.

# Property Tax Consists of 3 Types of Levies

## 2012 Maximum Levy Funds

General  
Fund  
18,830,513

Parks  
3,853,665

Thoroughfare  
1,142,520

MVH  
475,270

Controlled  
Levies

## 2012 Rate Controlled Fund

Cumulative Capital Development  
791,336

Rate  
Controlled  
Funds

## 2012 Debt Levies

Park  
Bond  
398,009

Commons  
Bond  
732,805

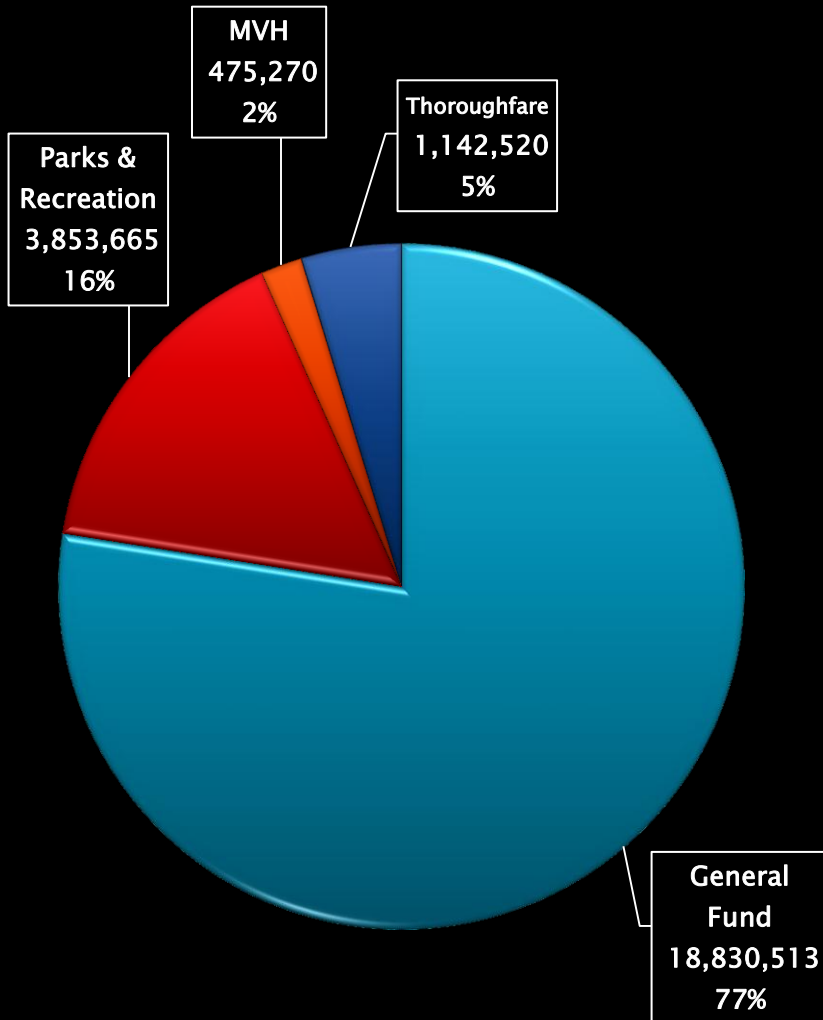
Redevelopment  
Bond  
44,483

Debt  
Levied  
Funds

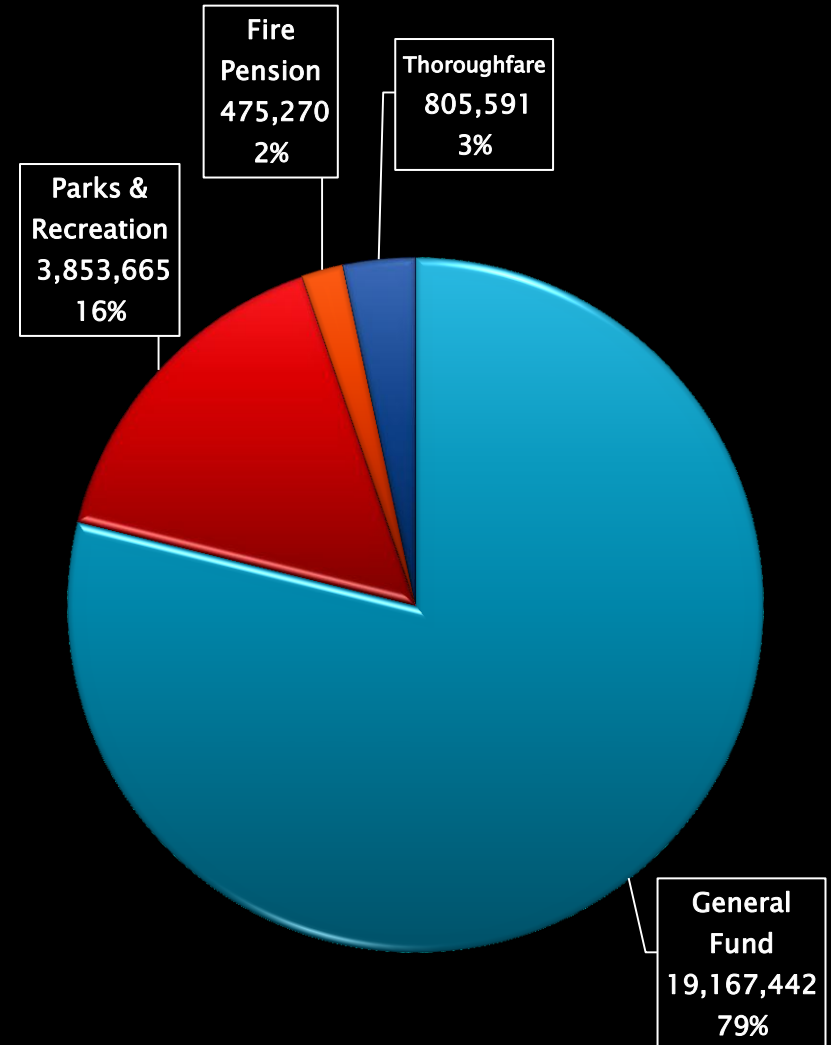
Total  
Property  
Tax  
Levies  
\$26,268,601

# Comparison of Maximum Levy Funds

2012 Maximum Levy Funds No Debt or CCDF  
\$24,301,968



2013 Estimated Maximum Levy Funds No Debt or CCDF \$24,301,968





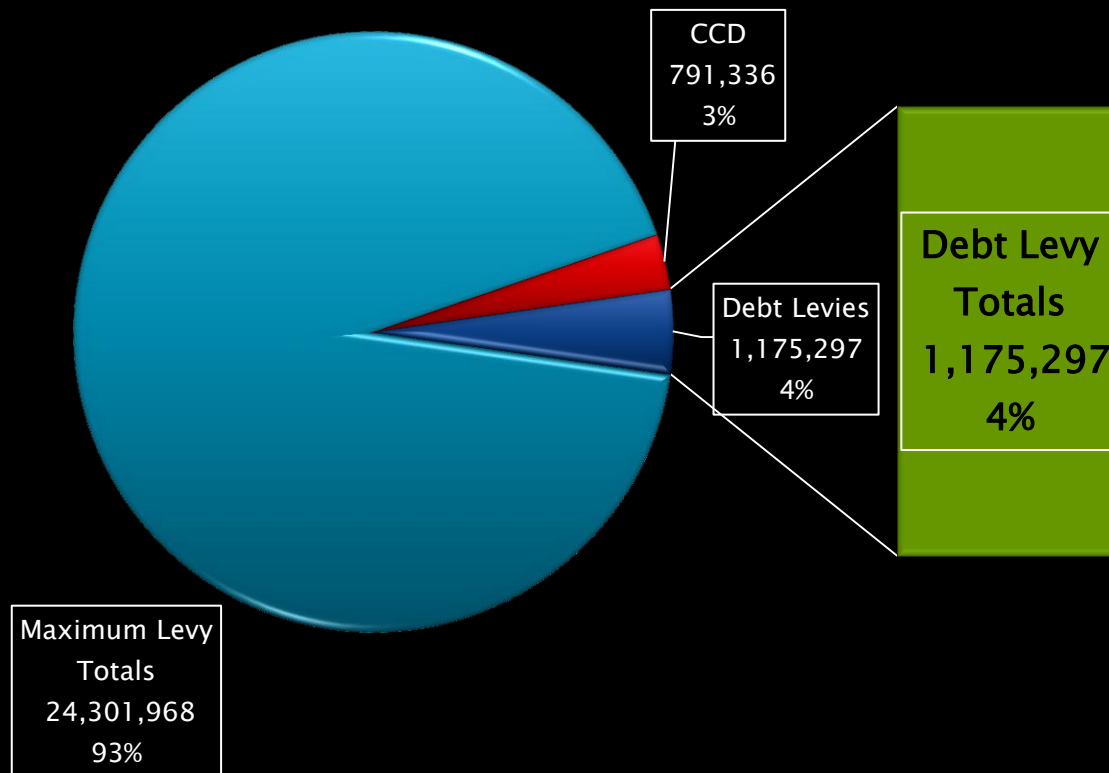
# Cumulative Capital Development History

Year	Assessed Value	Rate	Levy	
2005	2,255,534,640	0.0394	\$	888,681
2006	2,308,802,270	0.0394	\$	909,668
2007	2,603,362,570	0.0346	\$	900,763
2008	2,724,474,150	0.0346	\$	942,668
2009	2,474,915,018	0.0346	\$	856,321
2010	2,483,137,710	0.0346	\$	859,166
2011	2,385,021,380	0.0346	\$	825,217
2012	2,341,230,054	0.0338	\$	791,336

Year	Using 2012 AV	Rate if Reestablished By August 1, 2013	Levy		Difference
2014	2,341,230,054	0.0500	\$	1,170,615	\$ 379,279

# Debt Levies are Outside Maximum Levy Limits

2012 Maximum Levy Compared to Debt Levies  
& CCD



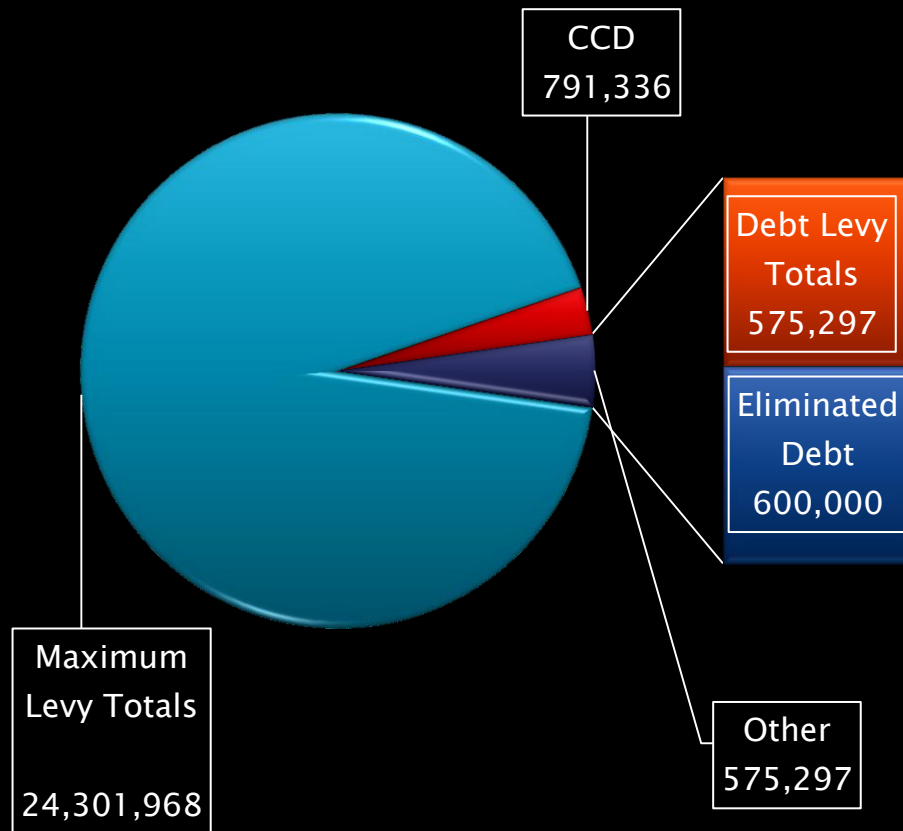
➤ Debt Levies are not used for operating.

➤ Debt Levies do not impact the maximum levy calculations.

➤ Debt levies do not impact the CCD calculations.

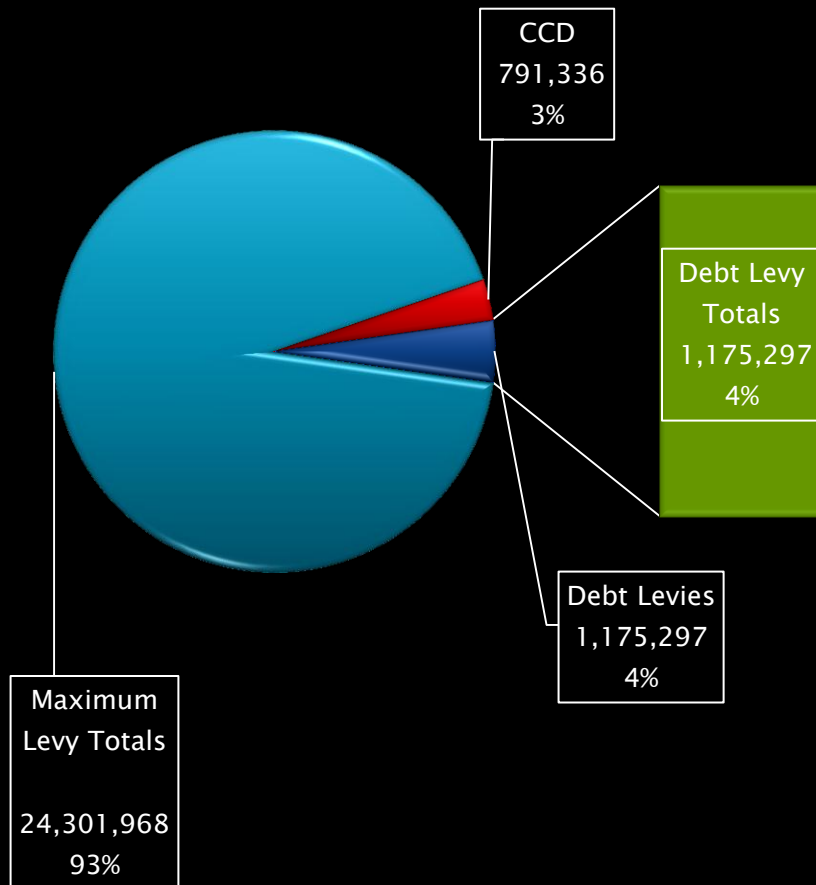
# What happens when debt is eliminated?

Example Chart If Debt was Partially Eliminated

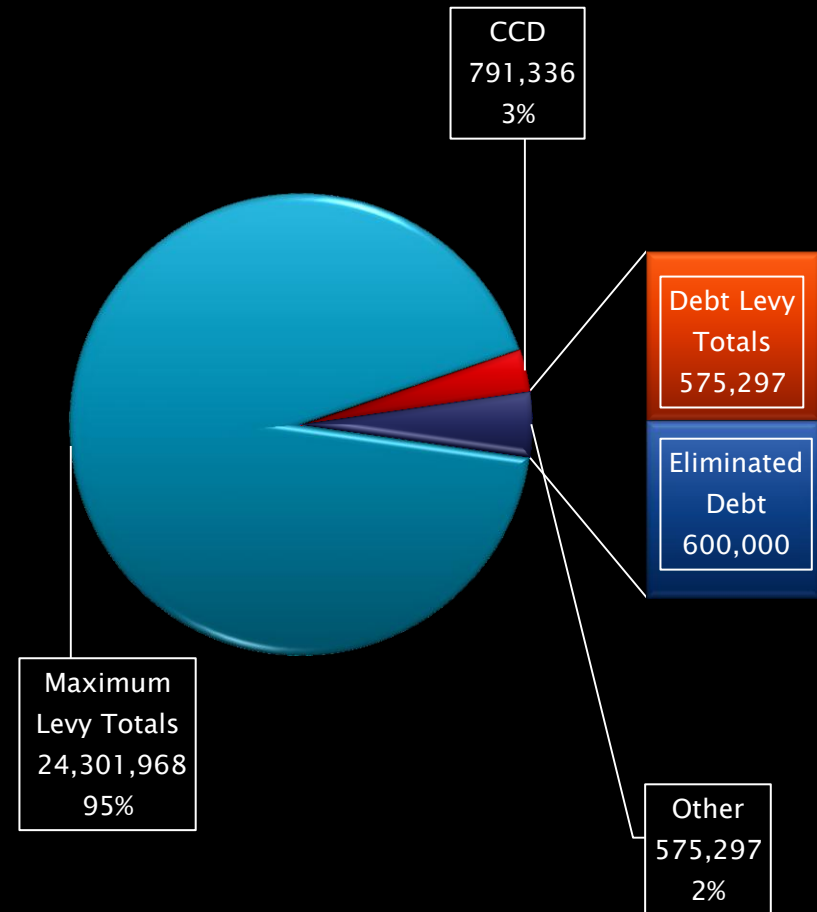


- The eliminated debt reduces the debt levy total.
- The eliminated debt does not get added back to any other levy.
- New debt levy amount in this example would be \$575,297.
- CCD and Maximum levy totals do not change.
- Taxpayers would pay less toward the city tax rate with eliminated debt.

## 2012 Maximum Levy Compared to Debt Levies & CCD



## Example Chart If Debt was Partially Eliminated

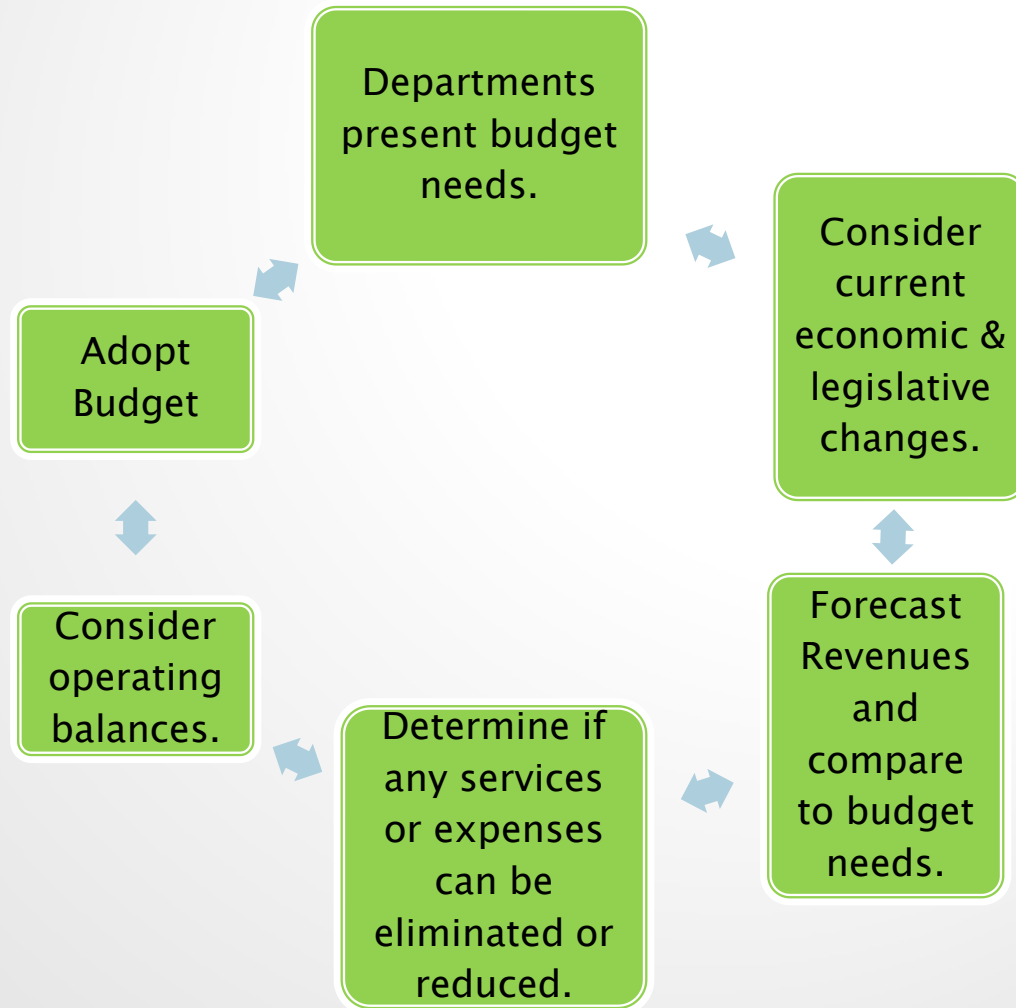


# Major Moving Targets in the Budget Process

- 1. Assessed Value** – Not certified currently. Projections are to reduce by 15% or 20%. When AV goes down tax rates go up. Units have to be conservative on advertising or it could lead to big problems with levy amounts.
- 2. Circuit Breaker** – With projected AV reduction, Circuit Breakers will increase. Estimated Increase of 15%. Currently we have 9,907 homes in the City at the circuit breaker level. This is up from 2011 by 776 properties. In 2011 the total circuit breaker was \$1,204,741. In June for 2012 the estimate was \$1,613,163 but has went down and is currently at \$1,417,731.
- 3. Maximum Levy** – Due to CAGIT error, PTRC portion of CAGIT for the 2011 & 2012 re-certifications may be added to the 2013 PTRC amount and subtracted from the maximum levy calculation. DLGF will make determination at settlement in December. The growth quotient is estimated at 2.8%, but with the PTRC issue no growth was predicted.



# City Budget Process



**Council must consider all these factors prior to adopting budget.**



**Process starts late June early July.**

**Mayor requests department heads to gather budget needs.**

**Information is sent to department heads with factors to consider (PERF & FICA).**

**Discussions in the July department head meeting.**

**Ongoing Discussions regarding needs assessment until budget is adopted.**

**Departments present budget needs.**



Consider  
current  
economic &  
legislative  
changes.



## How will legislative changes impact revenue sources ?

- Property tax growth quotient reduced from 2.9% in 2012 to 2.8% for 2013.
- CAGIT lowered by 7% until we receive certification this fall.
- State error on CAGIT distributions may impact maximum levy calculations for 2013.
- Sanitation revenues eliminated for last half of 2012 and all of 2013.
- Consider job growth and housing markets to estimate some revenue sources.

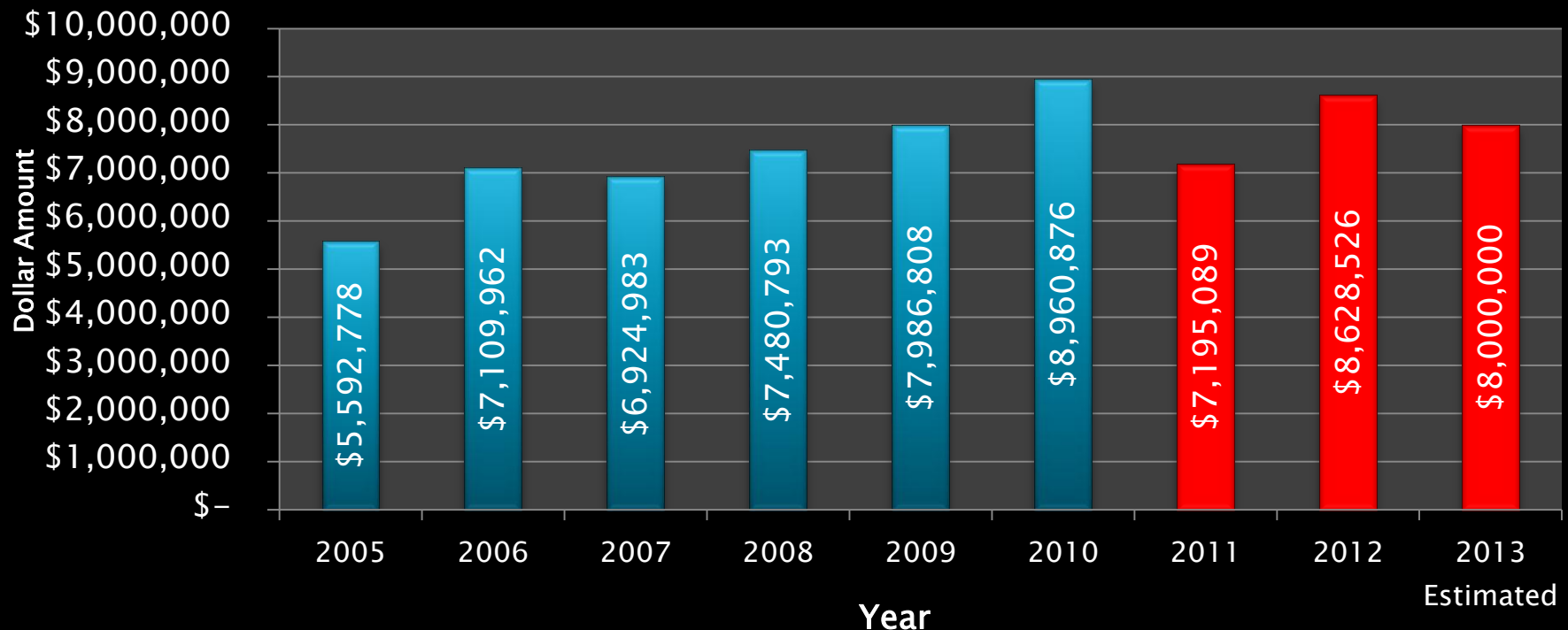
## New Legislative Changes for 2013

- ❖ Circuit Breaker on debt levies will now be assessed to the other levies instead of debt.
- ❖ Circuit Breaker amounts will be reported by the DLGF instead of the County Auditor.
- ❖ Mandatory adoption of Anti-Nepotism policy.
- ❖ Political Units must report new debt or lease issues to the DLGF within 1 month of issuance.

# County Adjusted Gross Income Tax Revenues

- 2011 Original Certification \$6,432,799 increased by \$762,290.
- 2012 Recertified 3 times.
  1. Original Certification \$6,711,332
  2. Second Certification \$8,624,578
  3. Final for \$8,628,526

## Total Regular CAGIT Comparison





# Rainy Day Fund Details

	2008	2009	2010	2011	2012
Beginning Balance	0	1,076,152	2,020,445	2,932,128	2,242,895
Special CAGIT Distribution	491,512	311,572	1,039,038	0	616,900
Unused Appropriation Deposit For Prior Year	584,640	632,721	0	310,767	325,444
Central Dispatch Funding	0	0	(127,355)	0	0
Education Initiative Funding	0	0	0	(1,000,000)	0
Ending Balance	1,076,152	2,020,445	2,932,128	2,242,895	3,185,238

Forecast  
Revenues  
and  
compare to  
budget  
needs.



Clerk Treasurer's office projects anticipated revenues.

Property  
Tax 62%

CAGIT  
28%

Other  
Revenue  
10%

General  
Fund  
Revenues

Property  
Tax

Other  
Revenue

Levied  
Fund  
Revenues

Determine if  
any services  
or expenses  
can be  
eliminated or  
reduced.

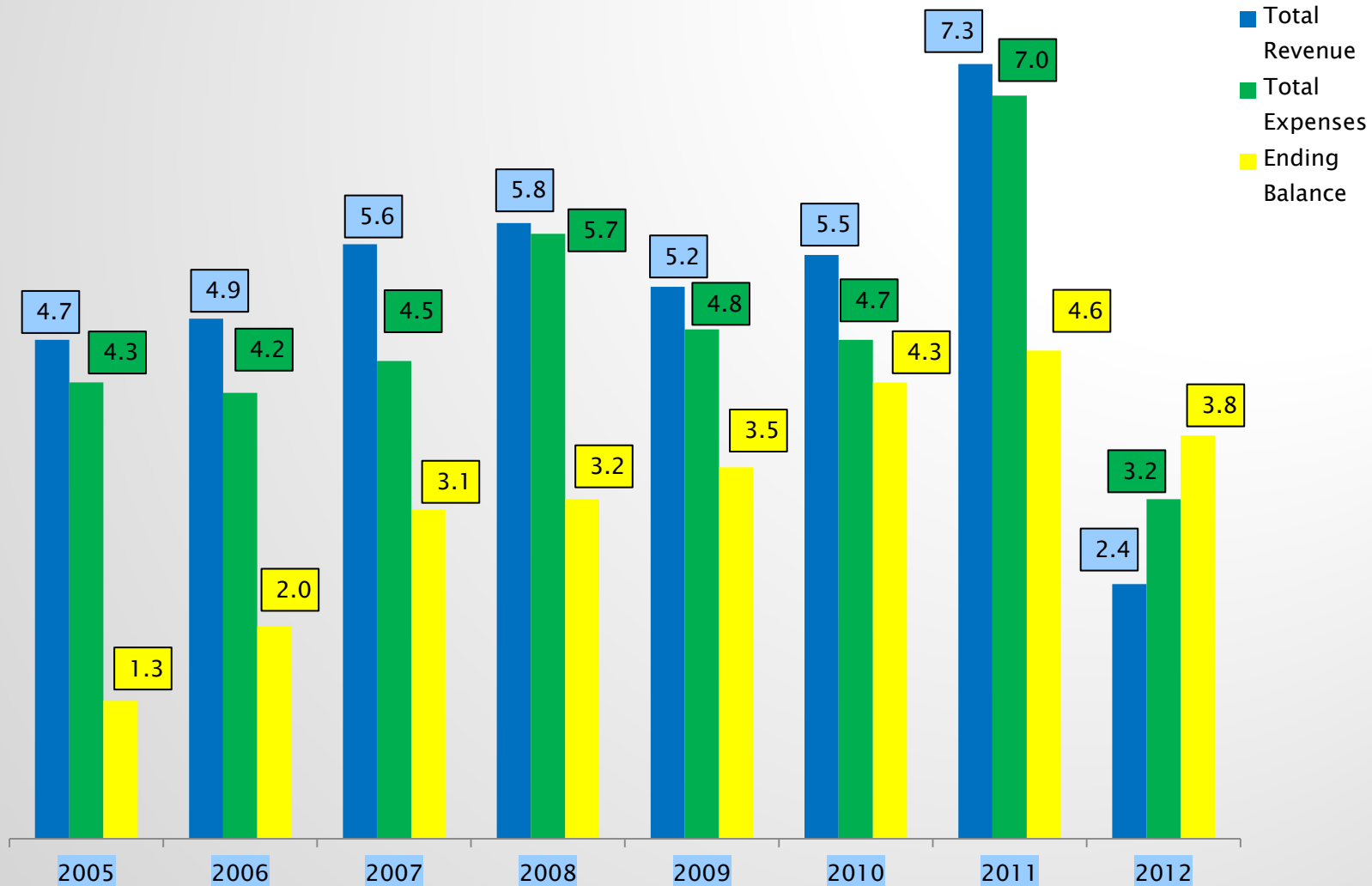


- Review Insurance costs and projections.
- Analyze capital needs.
- Determine if any budget adjustments are needed.
- Consider any maintenance or improvement issues.

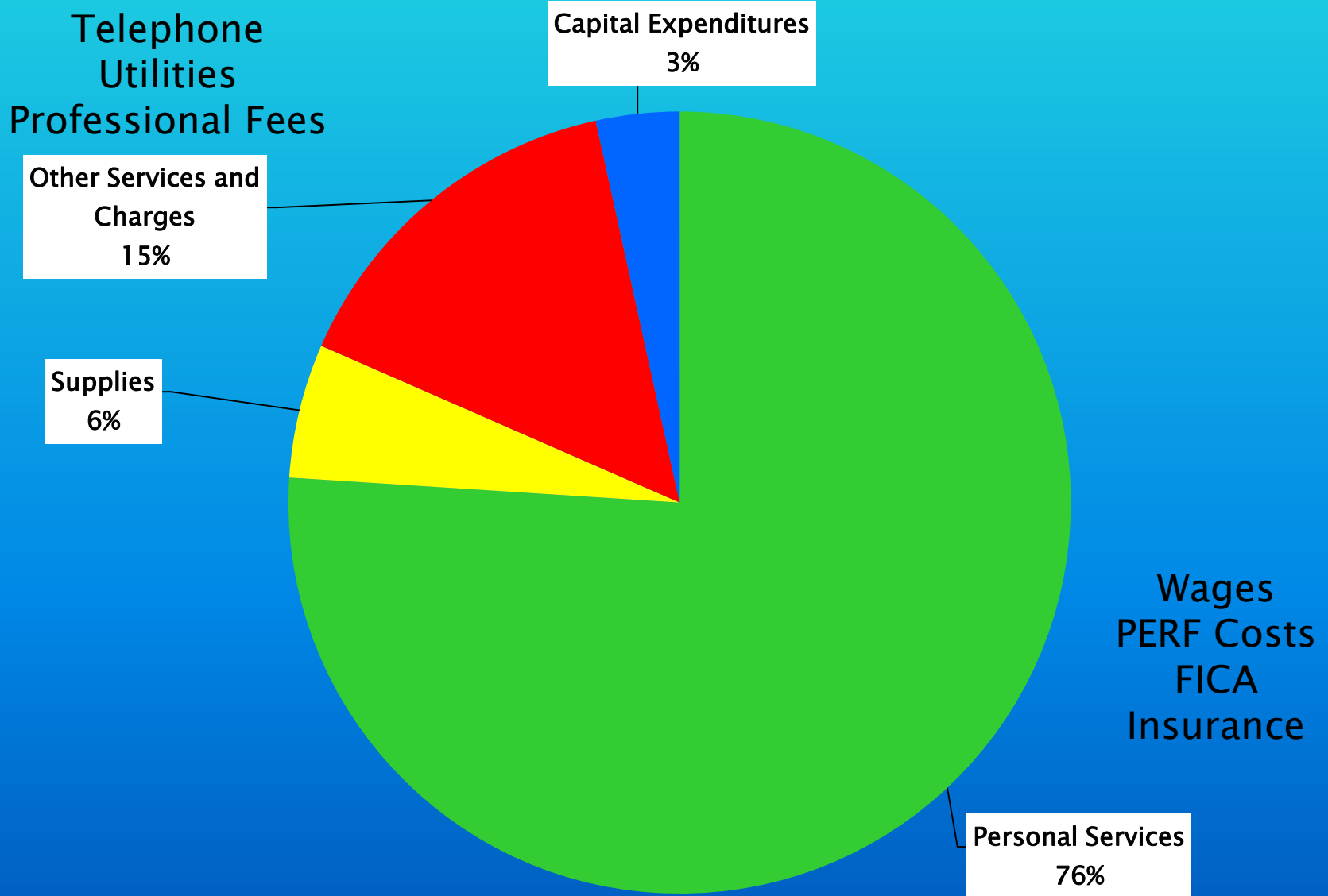
What should a self insured agency have in their insurance fund?

## According to SIHO \$4.2 Million

Insurance Comparisons 2005–June 2012

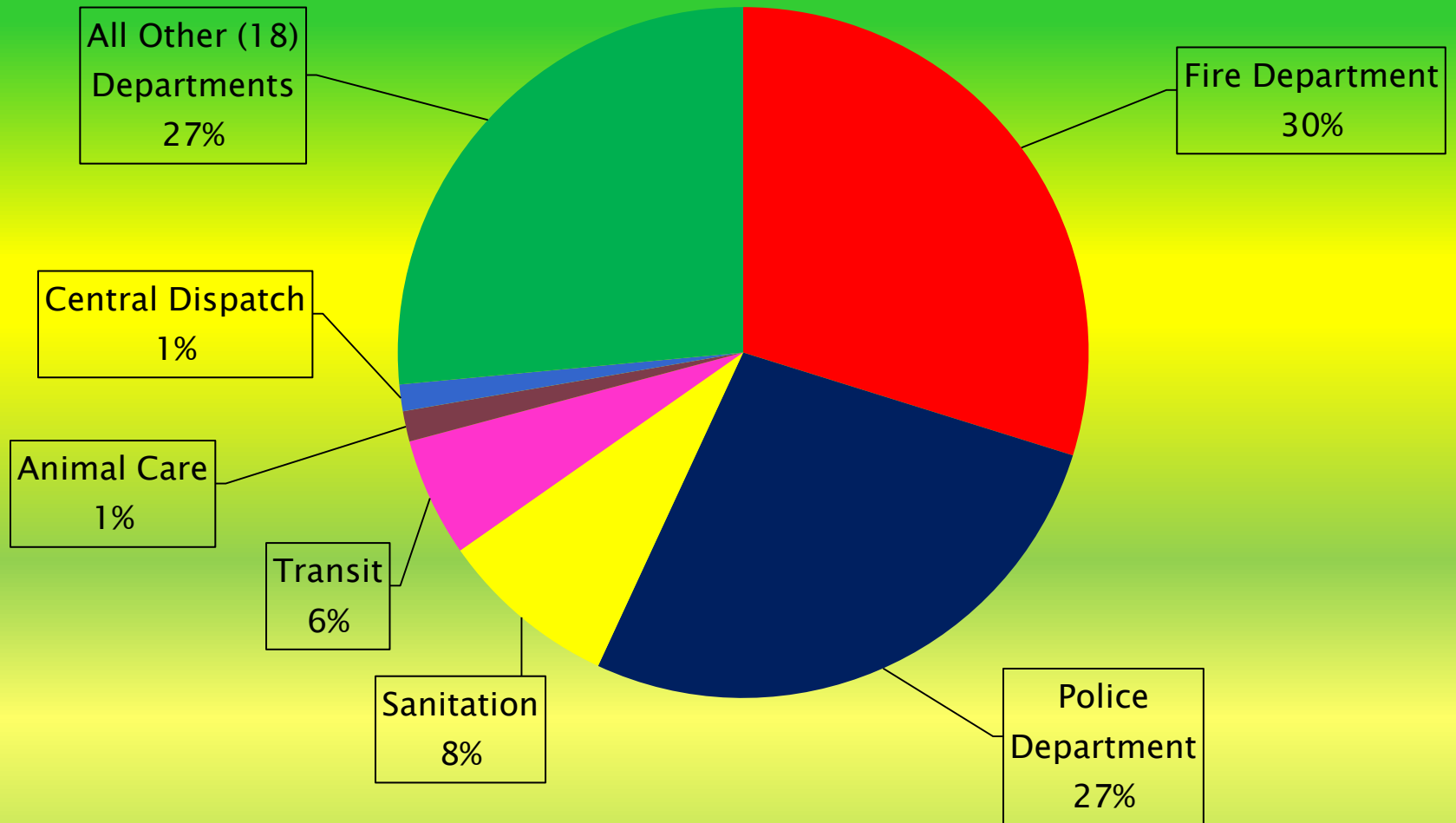


**2013 Proposed General Fund Budget Totals By Category**  
**\$28,223,748**





## 2013 General Fund Public Safety Compared to Other Budget Percentages





## Consider operating balances.

- Are we maintaining an adequate cash reserve or operating balance for the funds?
- Do we have the 15% to 20% cash reserve that is recommended by DLGF and other government consultants?
- Do we anticipate on time property tax billing?





# What is Cash Reserve or Operating Balance?

It is monies at the end of a budget year after all revenues have been received and all expenditures have been disbursed.

# General Fund Past, Present & Future

	2011 Actual	2012 Estimated	2013 Estimated
<b>Beginning Balance</b>	<b>5,931,008</b>	<b>8,821,180</b>	<b>9,044,390</b>
Late Settlement Revenue	1,166,305	-	-
<b>Adjusted Beginning Balance</b>	<b>7,097,313</b>	<b>8,821,180</b>	<b>9,044,390</b>
<b>Receipts By Type:</b>			
*Property Tax	18,628,184	18,830,513	19,167,442
Circuit Breaker Loss	(912,219)	(1,079,744)	(1,245,391)
**CAGIT	6,432,799	6,711,332	8,000,000
Sanitation Revenue	1,857,611	701,318	-
Excise Tax	1,055,704	943,491	950,000
Other Revenue	2,664,307	1,695,222	1,873,028
<b>Total Revenue</b>	<b>29,726,386</b>	<b>27,802,132</b>	<b>28,745,079</b>
Appropriated or Budgeted Expenditures	(26,656,602)	(28,848,963)	(28,223,748)
Unappropriated Expenditures	(256,128)	(27,806)	-
2012 Budget Cuts		753,739	-
PERF Additional Appropriation		(566,223)	-
Encumbrances	(779,021)	(91,352)	-
Rainy Day Transfer	(310,767)	(325,444)	-
<b>Total Expenditures</b>	<b>(28,002,519)</b>	<b>(29,106,049)</b>	<b>(28,223,748)</b>
<b>Ending Balance</b>	<b>8,821,180</b>	<b>7,517,264</b>	<b>9,565,721</b>
**CAGIT Recertification Increase	-	1,527,126	-
<b>Projected Ending Balance with CAGIT Recertification</b>	<b>8,821,180</b>	<b>9,044,390</b>	<b>9,565,721</b>
<i>Italicized amounts are estimates/projections.</i>			
<b>Revenue Less Expenditures</b>	<b>1,723,867</b>	<b>(1,303,917)</b>	<b>521,331</b>
*Property Tax for 2011 Form 11's sent out after AV Certification			
Actual 2011 Levy	18,245,414		
Actual Property tax Received	17,715,965		
Difference	529,449		
Actual Circuit Breaker	(912,219)		

# Parks Fund Past, Present & Future

	2011 Actual	2012 Estimated	2013 Estimated
<b>Beginning Balance</b>	<b>1,755,882</b>	<b>2,372,791</b>	<b>1,883,207</b>
Late Settlement Revenue	259,962	-	-
<b>Adjusted Beginning Balance</b>	<b>2,015,843</b>	<b>2,372,791</b>	<b>1,883,207</b>
<b>Receipts By Type:</b>			
*Property Tax	3,928,388	3,853,665	3,853,665
Circuit Breaker Loss	(186,036)	(207,988)	(250,389)
Excise Tax	223,009	192,900	192,000
Other Revenue	180,345	165,520	148,952
<b>Total Revenue</b>	<b>4,145,706</b>	<b>4,004,096</b>	<b>3,944,228</b>
Appropriated or Budgeted Expenditures	(3,613,692)	(4,432,832)	(4,133,089)
Unappropriated Expenditures	(265)	-	-
2012 Budget Cuts	-	312,903	-
PERF Additional Appropriation	-	(37,883)	-
Encumbrances	(174,802)	(335,868)	-
<b>Total Expenditures</b>	<b>(3,788,759)</b>	<b>(4,493,680)</b>	<b>(4,133,089)</b>
<b>Ending Balance</b>	<b>2,372,791</b>	<b>1,883,207</b>	<b>1,694,347</b>

*Italicized amounts are estimates/projections.*

<b>Revenues Less Expenditures</b>	<b>356,948</b>	<b>(489,584)</b>	<b>(188,861)</b>
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<b>*Property Tax for 2011 Form 11's sent out after AV Certification</b>	
Actual 2011 Levy	3,854,195
Actual Property tax Received	3,742,353
Difference	111,842
Actual Circuit Breaker	(186,036)

# MVH Fund Past, Present & Future

	2011 Actual	2012 Estimated	2013 Estimated
<b>Beginning Balance</b>	<b>694,277</b>	<b>673,750</b>	<b>853,186</b>
Late Settlement Revenue	41,463	-	-
<b>Adjusted Beginning Balance</b>	<b>735,740</b>	<b>673,750</b>	<b>853,186</b>
<b>Receipts By Type:</b>			
*Property Tax	192,044	475,270	-
Circuit Breaker Loss	(9,095)	(25,651)	-
Excise Tax	10,902	23,851	-
Other Revenue	1,109,922	1,198,420	1,225,300
<b>Total Revenue</b>	<b>1,303,773</b>	<b>1,671,890</b>	<b>1,225,300</b>
Appropriated Expenditures	(1,340,613)	(1,512,082)	(1,566,584)
Unappropriated Expenditures	-	-	-
2012 Budget Cuts	-	38,100	-
PERF Additional Appropriation	-	(18,472)	-
Encumbrances	(25,149)	-	-
<b>Total Expenditures</b>	<b>(1,365,762)</b>	<b>(1,492,454)</b>	<b>(1,566,584)</b>
<b>Ending Balance</b>	<b>673,750</b>	<b>853,186</b>	<b>511,902</b>

*Italicized amounts are estimates/projections.*

<b>Revenues Less Expenditures</b>	<b>(61,989)</b>	<b>179,436</b>	<b>(341,284)</b>
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\*Property Tax for 2011 Form 11's sent out after AV Certification

Actual 2011 Levy	188,417
Actual Property tax Received	182,949
Difference	5,468
Actual Circuit Breaker	(9,095)





## Adopt Budget

- Council has public hearing & first reading on **September 18, 2012**.
- Council has second reading & budget adoption on **October 2, 2012**.
- Adopted budget goes to county auditor via Gateway.
- The 2012 budget forms will be entered into an online Gateway program for The DLGF instead of paper forms.
- The DLGF does the budget review and sends out the certified budget sometime in February 2013.